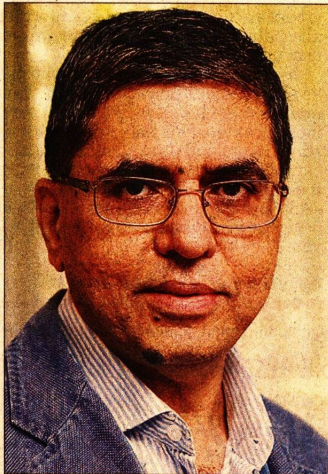


ET INTERVIEW

SANJIV MEHTA

CHAIRMAN, HINDUSTAN UNILEVER

'Business Needs Certainty of Policies and Tax Rates'



Any hike in tax rates could dampen sentiment, says chief of country's biggest FMCG co

Sagar Malviya & Chaitali Chakravarty

Mumbai | New Delhi: Hindustan Unilever Ltd (HUL) chairman Sanjiv Mehta said the government should not increase taxes in the forthcoming budget, fearing it could hit consumer demand, which just started reviving a quarter ago.

"What the business needs is certainty of policies and certainty of tax rates," Mehta told ET in an interview. "So I would certainly urge the government not to increase the tax rates because we don't want the sentiments to get dampened. There should be stability of taxes, as all investors, whether domestic or foreign, crave for certainty. And I think that's

what the government should try to do as far as not doing anything is concerned and not changing."

The maker of Rin, Dove and other household staples also expects demand to revive as Indians are vaccinated. Mehta said the government should partner private companies on the vaccination drive to leverage their reach and speed to market.

"The government should involve the private sector, so that we could also get into vaccinating all our people in the ecosystem," he said.

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'Challenge Remains on the Urban Poor'

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HUL's performance is considered a proxy for broader consumer sentiment in India. It reported a 19% rise in profit and 20% growth in sales in the December quarter led by steady rural demand that

recovered on the strength of good monsoon rain and government-led initiatives. Apart from higher minimum support prices (MSPs) for farmers, the government's economic relief package has increased allocation under the Mahatma Gandhi National Rural Employment Guarantee Act by an additional ₹40,000 crore over the earlier allocation of ₹61,000 crore to enhance employment in villages.

Urban areas, where more people were confined to their living quarters, have started to see signs of recovery as restrictions are progressively eased and economic activities get back on track. The country's biggest consumer

company gets nearly 60% of its sales from urban markets.

"I think the government has done a fabulous job of looking after and managing the rural poor," Mehta said. "The challenge remains on the urban poor and what can the government do. Now with the benefit of technology, we will have to create a scenario where just like the government has the ability to direct transfer of money to the rural poor, can it do something about the urban poor? They have also been hit very hard, because the informal sector has taken a beating."

Also, volume, which indicates the number of products that cus-

tomers put in their shopping carts, is still low for HUL and grew 4% last quarter.

"The worst is over but are we seeing the best? Of course not. If you look at HUL in the last 10 years, we have grown at a compound rate of 9%. And out of 9%, volume growth has been about 65-70%. So ideally, we would like the volume growth to go back to the historical averages, if not better," Mehta said.

Operating profit too fell 80 basis points due to higher input costs, which it tried to marginally offset in skin cleansing by increasing the price tag of soap brands. A basis point is a hundredth of a percentage point.